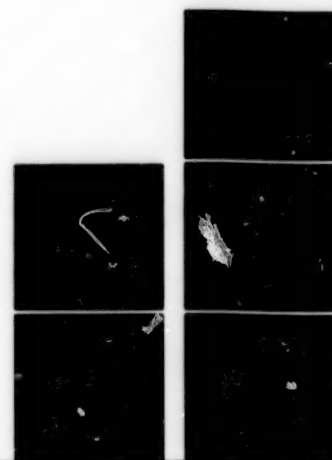


**UNITED STATES
INFORMATION
AGENCY**

OFFICE OF INSPECTOR GENERAL
Semiannual Report To The Congress
April 1, 1995 - September 30, 1995



This report has been provided, through the
Director of the United States Information Agency,
to the following Congressional oversight committees:

Senate Committee on Appropriations
Senate Committee on Foreign Relations
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Committee on Foreign Affairs
House Committee on Government Operations

United States Information Agency

Washington, D.C. 20547



INSPECTOR GENERAL

October 31, 1995

The Honorable Joseph Duffey, Director

In accordance with the Inspector General Act of 1978, as amended, I am forwarding our semiannual report for the period April 1, 1995 through September 30, 1995. The Act requires that you transmit this report within 30 days of receipt to the appropriate committees of Congress with any comments that you wish to make.

The Office of Inspector General (OIG), as an independent evaluative resource, continues to focus its efforts on activities that can best help USIA achieve its goals, while simultaneously fulfilling OIG's mandate to promote economy and efficiency, and to prevent waste, fraud, and abuse. During this reporting period, OIG issued 22 audit and inspection reports that address program management, financial management, grants management, and overseas post management. These reports reflected findings of questioned costs and funds put to better use having a potential monetary impact of \$1.4 million. OIG also initiated 30 investigations during the period and closed 39. As of September 30, 1995, 9 OIG investigations had been referred to the Department of Justice for review and 20 to the Agency's personnel offices for administrative or disciplinary action.

Legislation is pending that would merge USIA's Office of Inspector General with the Department of State's Office of Inspector General. This pending legislation may become law during the next reporting period. Until this office is merged by legislation, we will continue to function under the full authority of the Inspector General Act.

A handwritten signature in cursive script that reads "Marian C. Bennett".

Marian C. Bennett
Inspector General

INSPECTOR GENERAL ACT OF 1978



Purpose:

In order to create independent and objective units ... there is hereby established in each of such establishments an office of Inspector General.

Duties and Responsibilities:

(a) It shall be the duty and responsibility of each Inspector General with respect to the establishment with which his or her Office is established...

(1) to provide policy direction for and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of such establishment:

(3) to recommend policies for and to conduct, supervise, or coordinate other activities carried out or financed by such establishment for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.

(5) to keep the head of such establishment and the Congress fully and currently informed, by means of the reports required in section 5 and otherwise, concerning fraud and other serious problems, abuses, and deficiencies ..., to recommend corrective action concerning such problems, abuses and deficiencies, and to report on the progress made in implementing such corrective action.

Semiannual Reports:

(a) Each Inspector General shall, not later than April 30 and October 31 of each year, prepare semiannual reports summarizing the activities of the Office during the immediately preceding six-month periods ending March 31 and September 30.

Excerpt from Public Law 95-452, as amended.

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DIGEST

This report is issued pursuant to the Inspector General Act of 1978, as amended. The report covers the six-month period from April 1, 1995, through September 30, 1995.

HIGHLIGHTS OF ACTIVITIES THIS PERIOD

PROGRAM MANAGEMENT

Program Deficits Not Identified Because of Inaccurate Financial Reports

■ **English Teaching Programs** - The Office of Inspector General (OIG) reviewed management controls at English teaching programs run by United States Information Agency (USIA) posts in Dakar, Senegal; Yaounde, Cameroon; and Antananarivo, Madagascar. OIG found that program directors in Dakar and Yaounde did not prepare accurate financial reports and budgets because they lacked information on USIA-paid English teaching program expenses. As a result, program deficits were not identified. These deficiencies were particularly significant because of the African area office director's policy that English teaching programs be self-sufficient within one year, or phased out if annual subsidies exceeded \$20,000. OIG recommended that financial data for Dakar and Yaounde be improved and that the two programs be reevaluated. (See page 7.)

Contingency Planning Needed to Ensure Program Viability

In addition, USIA's Office of North African, Near Eastern, and South Asian Affairs requested that OIG assess the status of the direct English teaching program in Sanaa, Yemen because of the potential effects of an anticipated currency devaluation. OIG found that a devaluation of the Yemeni Riyal could jeopardize the program's financial viability because of an immediate loss in the value of the funds needed for future operations. OIG also found that Sanaa language institute fee collections had contributed to an excessive buildup of local currency at the embassy. Because of the excess currency status, the post may face six to eight months delay in converting its local currency into U.S. dollars for program operations. OIG recommended immediate headquarters involvement in contingency planning for and maintenance of the Sanaa program. (See page 9.)

■ **Alternatives for Conducting Programs Overseas** - During a review of USIA's relationship with binational centers, OIG addressed the issue of using the centers to maintain

**Plan Needed to Reduce
USIA Involvement in
Educational Advising**

programs abroad because of budget cuts. OIG recommended that the Agency study the issue and develop alternatives to maintaining U.S. Government facilities overseas by using binational centers, regional posts, small-scale resource centers, surrogate posts, and cost-shared centers. (See page 9.)

■ **USIA Educational Advising Program** - OIG assessed USIA's program that supports overseas efforts to provide information about American higher education to prospective foreign students. OIG concluded that USIA has provided such support directly but should now develop a five-year plan to reduce its active operational engagement. The plan should define USIA's policy guidance role, and seek to motivate and strengthen the professional and financial independence of the educational advising entities which attract foreign students to study at American post-secondary educational institutions. While some USIA management officials concurred with this recommendation, the Associate Director for Educational and Cultural Affairs strongly disagreed. (See page 11.)

FINANCIAL MANAGEMENT

**Monitoring Procedures
Inadequate**

■ **American Express Government Travel Payment Program** - OIG reviewed management controls over the American Express Government Travel Payment Program. USIA implemented the program in November 1993. OIG found that USIA monitoring procedures did not prevent USIA employees from misusing or making untimely payments on their individual American Express Government accounts. For example, OIG concluded that the majority of the retail charges examined by OIG were for personal purposes. In addition, about \$240,000 in employee accounts were delinquent as of January 1995. OIG recommended that USIA improve its monitoring procedures and review past use of the accounts. In addition, OIG suggested disciplinary guidelines for employees who misuse American Express Government charge cards.

**Delinquencies Result in
Interest Penalties and
Loss of Funds**

In addition, USIA maintains centrally billed American Express accounts which the Agency's travel management contractor uses to charge airline and rail transportation expenses of USIA and its grantees. OIG found that about \$780,500 out of \$2,200,000 was delinquent. USIA is responsible for paying the centrally billed accounts, and under the Prompt Payment Act of 1982, is liable for interest penalties

because of the late payments. OIG recommended that USIA ensure payments of the accounts within 30 days. (See page 12.)

**Funds Neither Properly
Deposited Nor Accounted For**

■ **Controls Over Recycling of Funds - USIS Rangoon**
At the request of the Office of East Asian and Pacific Affairs, OIG assessed management controls over recycling of English teaching funds and other administrative operations at Rangoon, Burma. The area office had received information that United States Information Service (USIS) Rangoon had neither properly deposited nor accounted for funds from the sale of English teaching materials and post publications. OIG found, among other things, that the post's administrative management specialist improperly used about \$37,000 of undeposited fee collections for post expenses unrelated to the English teaching and publications programs. OIG recommended improved management controls and additional training for the former USIS Rangoon public affairs officer. (See page 14.)

GRANTS MANAGEMENT

**Lack of Criteria Hinders
Assessment of Benefits
Derived from Subgrants**

■ **National Council for International Visitors - OIG**
audited the effectiveness of program operations and the allowability of costs claimed by the National Council for International Visitors (National Council) under \$5,817,685 in USIA grants for fiscal years 1991-1994. OIG found that USIA had not developed criteria to determine which community-based international visitor councils should receive subgrants from the National Council, and in what amounts. Consequently, it is difficult to assess the benefits USIA derived from those subgrants. In addition, OIG questioned \$239,091 of the National Council's claimed costs as being unallowable or unsupported. For example, the National Council claimed bonus costs not supported by an incentive compensation agreement, and based its indirect costs on a rate OIG found to be excessive. OIG made recommendations to improve program operations and seek reimbursement for \$239,091 in claimed costs. (See page 16.)

**\$191,311 in Claimed
Costs Questioned**

■ **Council for International Exchange of Scholars -**
OIG audited costs claimed under four grant agreements with the Council for International Exchange of Scholars for fiscal years 1988-1994. The grants totalled about \$32 million. The Council is the principal non-Government organization that

administers USIA's Fulbright Senior Scholar Program. OIG questioned \$191,311 in claimed costs, including \$87,457 spent on activities not authorized by the contracting officer. (See page 20.)

**\$114,556 in Claimed
Costs Questioned**

■ **Graduate School, U.S. Department of Agriculture** - OIG audited costs claimed under 14 USIA grants with the Graduate School totalling \$6,624,450. The Graduate School conducts international visitor programs and Fulbright teacher exchange programs for USIA. OIG questioned \$114,556 in claimed costs, including \$110,884 with inadequate supporting documentation. (See page 20.)

OVERSEAS POST MANAGEMENT

**Guidance on Appropriate
Relationship With
Binational Centers Unclear**

■ **USIA's Relationship With Binational Centers** - USIA spends about \$3.2 million annually supporting some 126 locally chartered, nonprofit cultural organizations worldwide known as binational centers. OIG's review found that USIA had not provided clear guidance to its field posts on the appropriate relationship with these centers. As a result, both the relationship and the levels of support varied from one post to another. In addition, OIG found evidence of poorly managed grants to binational centers including little or no accountability of funds, and the possible misuse of funds by center personnel. USIA concurred with OIG's recommendation to rectify the management and administrative problems identified. The possible abuse of funds was referred to OIG's investigative unit for further inquiry. (See page 23.)

**Realignment of Program
Resources Recommended**

■ **USIA Operations in Mexico** - OIG recommended that USIS Mexico program resources be realigned to enhance the post's capacity to address American-Mexican border issues. OIG found the information section did not have a pro-active plan for operations. OIG recommended that long-term goals linked to Country Plan issues be established to address such issues as the promotion of a free and responsible Mexican press, and the quickly changing environment of information and telecommunications. OIG also recommended that four positions be abolished for an annual savings of approximately \$159,000. (See page 24.)

■ **USIA Operations in Greece** - OIG recommended that USIS Greece expand and revise many of its priorities. Among other efforts, it should help promote U.S. trade and invest-

ment in Greece. In addition, the post should enhance its programming in schools of journalism and reactivate Worldnet programs and video conferencing. OIG also recommended abolishing the position of the American foreign service secretary to save approximately \$80,000 per year. (See page 25.)

INVESTIGATIONS

Twenty-Nine Investigative Reports Pending Possible Prosecutorial or Administrative Action

During this reporting period, OIG initiated 30 investigations and closed 39. Seventy-one investigations remained open at the conclusion of the period. Of the 71 that remained open, 42 were pending further investigative activity. Investigative actions had been completed on the remaining 29. Of that number, OIG had referred 9 to the Department of Justice for review and 20 to USIA's personnel offices for administrative or disciplinary action. (See Appendix B.)

STATISTICAL SUMMARY

I. Activities

Audit and Inspection Reports Issued	22
(Appendix A)	
Investigations Closed	39
(Appendix B)	

II. Potential Savings Identified This Period

Questioned Costs	\$1,045,985
(Appendix A)	
Recommendations that Funds Be Put to Better Use	\$ 330,915
(Appendix A)	
TOTAL	\$1,376,900

III. Monetary Impact From Reports For Which Decisions Were Made This Period

Questioned Costs Sustained	\$ 396,268
(Appendix C)	
Funds Put to Better Use Sustained	\$ 330,915
(Appendix D)	
TOTAL	\$ 727,183

IV. Reports With Monetary Impact For Which No Decisions Were Made This Period

Number Less Than Six Months Old	7
Dollar Value	\$ 919,437
(Appendix C)	
Number More Than Six Months Old	9
Dollar Value	\$4,362,051
(Appendix C)	

OPERATIONAL ACTIVITIES

During this period OIG identified problems pertaining to program management, financial management, grants management, and overseas post management. OIG also conducted investigations of alleged criminal activities and employee misconduct.

PROGRAM MANAGEMENT

ENGLISH TEACHING PROGRAMS IN SENEGAL, CAMEROON, AND MADAGASCAR

OIG audited and evaluated management controls at three English teaching programs under the jurisdiction of the Office of African Affairs. These programs were in Dakar, Senegal; Yaounde, Cameroon; and Antananarivo, Madagascar. During March and April 1994, OIG reviewed English teaching revenues of about \$1 million and expenditures of about \$1.1 million for fiscal years 1992 and 1993. Additionally, OIG reviewed and tested the Agency's draft English Teaching Program Administrative Manual to ensure the manual provided adequate guidance for implementation and administration of the program.

OIG identified the following major program and financial matters:

- English teaching program directors in Dakar and Yaounde did not prepare accurate financial reports and budgets because they lacked information on USIS-paid English teaching program expenses. For example, program directors did not receive USIS expense records or the Department of State's Status of Funds reports.

Accounting Policies and Procedures Are Ineffective

In addition, the Dakar English teaching program director based the program's reported income on fees received, while USIS Dakar based accounting records on fees deposited. As a result of untimely fee deposits and other accounting differences, the program director reported to headquarters fiscal year 1993 profits of \$15,318 while the official USIS Dakar accounting records reflected an operating loss for the program. USIS Dakar was unaware that the program director had reported a profit for the year. OIG recommended

***Programs Are Not
Financially Self-Sufficient***

that USIS Dakar and Yaounde provide complete English teaching expenditure data to their respective program directors, and monitor the accuracy of English teaching budgets and financial reports. The new English Teaching Program Administrative Manual establishes procedures to collect and report such data.

- The accounting discrepancies described above were particularly significant because of the area director's policy that English teaching programs should be: (1) self-sufficient within one year; and (2) phased out if a post is contributing annual subsidies of over \$20,000. The Dakar English teaching program received post subsidies of \$125,000 and \$34,000 in fiscal years 1992 and 1993, respectively. A January 1994 currency devaluation placed both programs in financial jeopardy by decreasing revenues and increasing operating expenses. OIG recommended reevaluation of both programs based on accurate accounting data and budgets.

***Program Management
and Oversight Is Inadequate***

- Part-time English teaching program directors in Yaounde and Antananarivo did not provide adequate oversight of the programs' day-to-day operations. For example, the Yaounde director also worked 32 hours a week as a part-time personnel assistant at the U.S. Embassy. The language center's receptionist assumed sole responsibility for fee collections, safeguarding of cash, and for program operations during morning and afternoon hours. Similarly, the Antananarivo director spent 24 hours a week managing a U.S. Agency for International Development (USAID) English teaching project. As a result, the director delegated the administrative and management duties to the teachers. OIG recommended that the public affairs officer examine the need for full-time directors in these programs.

The Office of African Affairs and the Bureau of Educational and Cultural Affairs, English Language Programs Division, concurred with and initiated action on all of OIG's recommendations. For example, the Yaounde program has been privatized, saving USIA \$20,000 in subsidy payments. In addition, the Bureau is looking into an alternative solution for Dakar that would involve licensing a franchise to a U.S. academic institution to run the program. This would save an additional \$34,000 in annual subsidy payments.

ENGLISH TEACHING PROGRAM IN YEMEN

In February 1995, the Office of North African, Near Eastern, and South Asian Affairs requested that OIG review the current status of the English teaching program in Sanaa, Yemen. The Agency wanted OIG to assess the potential effects of an anticipated devaluation of Yemen's currency on the program.

Currency Devaluation Could Jeopardize Program's Financial Viability

On March 31, 1995, the Yemeni Riyal was devalued by 50 percent. OIG found that such a devaluation could jeopardize the program's financial viability because of an immediate loss in value of revenues used to support future operations. Recognizing that possibility, the USIS Sanaa public affairs officer had already begun developing contingency plans to offset potential losses.

OIG also found that the Sanaa language institute student enrollment doubled during fiscal year 1994 contributing to an excessive buildup of local currency at the embassy. An unofficial tuition voucher system also contributed to the local currency buildup. As a result of the excess currency status, the embassy might not be able to convert the program's local currency to U.S. dollars for as many as six to eight months. The program's major U.S. dollar expenditures are for teachers' salaries and books. USIS Sanaa, therefore, could not guarantee continuance of the English teaching program without USIA headquarters support because of the uncertainty of U.S. dollar availability.

Contingency Planning Needed

OIG recommended that USIA headquarters immediately develop contingency plans, monitor the local currency buildup, and conduct an independent audit of the USIS Sanaa direct English teaching program. The Office of North African, Near Eastern, and South Asian Affairs concurred with OIG recommendations.

ALTERNATIVES FOR CONDUCTING PROGRAMS OVERSEAS

During the review of USIA's relationship with binational centers, as summarized on page 23, OIG addressed the issue of using the centers to maintain programs abroad because of budget cuts. If budget reductions result in downsizing USIA's overseas programs, the Agency should develop alternatives to maintaining U.S. Government facilities overseas. These

**Alternatives to Maintaining
Facilities Recommended**

alternatives could include binational centers, regional posts, small scale resource centers, surrogate posts, and cost-shared centers. OIG recommended that the USIA Director analyze options for reducing reliance on USIS-controlled facilities to conduct USIA programs abroad. The Director concurred.

**Deficiencies in Grants
Management Identified**

OIG found deficiencies in the management of grants to binational centers. OIG concluded, based on prior audits and inspections, that improper grants management was a systemic problem in USIA and was not limited to grants to binational centers. If there is a move toward greater reliance on programming through the use of binational centers, small scale resource centers, and cost-shared centers, USIA will need to make an effort to strengthen managerial and administrative skills of its overseas post officers. OIG recommended that the Associate Director for Management assess the training and procedures for grant administration at overseas posts, and identify and propose remedies for any weaknesses. The Agency concurred with this recommendation, stating that it would review the need for additional training in grants administration for post and regional management assistance officers. The Bureau of Management anticipates revising the Manual of Operations and Administration to address current Agency policies and changes to contract and grant laws and regulations. The Bureau of Management also advised that it conducts three-hour contract and grant briefings for public affairs officers prior to their overseas assignments. OIG, however, is of the opinion that a three-hour briefing for such complex subjects is insufficient.

**More Financial
Management Training Planned**

USIA has given public affairs officers the authority to issue grants in amounts as large as \$25,000. OIG recommended that the Agency ensure the public affairs officers have strong grant management skills. OIG also stated that better guidance in the USIA's Manual of Operations and Administration may not be sufficient. Promotion panels should also emphasize financial accountability in their reviews. Grants management should also be included in the statement of public affairs officer work priorities. In addition, the Bureau of Management should take steps to ensure that reports submitted by public affairs officers under the Federal Managers' Financial Integrity Act of 1982 reflect the condition of financial management controls at their respective posts. OIG endorsed the Agency's plan for more financial management training for public affairs officers and regional post management assistance officers. Emphasis for such training should be included in the Agency's five-year strategic plan.

USIA EDUCATIONAL ADVISING PROGRAM

Long-Term Policy Guidance Lacking

OIG evaluated the effectiveness and efficiency of the USIA educational advising program and assessed the merits of U.S. Government involvement in educational advising. The report presented two key findings and seven recommendations. A major finding was the lack of long-term policy guidance pertaining to the educational advising program. A second finding addressed the need for significant improvement in program administration and implementation.

Plan Needed to Reduce USIA Involvement in Educational Advising

There was a lack of uniformity in the operations of the educational advising centers. Differences in operational standards have led to conflicting practices depending on the interest of managers, political influence, and economic constraints. OIG also found needless duplication in the production of many key support materials. Further, although USIA was authorized by Congress to be the principal coordinator of international educational activities, neither USIA nor USIA grantees were aware of the full scope of services provided by other U.S. Government agencies. OIG recommended that the Agency develop and implement a comprehensive five-year plan to reduce operational engagement in favor of a policy guidance role. OIG also recommended that USIA strengthen the professional and financial independence of private sector advising entities. There was a lack of uniformity in the quality, level, and delivery of services at the USIA-supported advising centers. These deficiencies were due to a lack of professional standards for employees and volunteers in the centers. Accordingly, the Bureau of Educational and Cultural Affairs will publish a personnel handbook and develop training for all personnel engaged in educational advising activities.

OIG found that most advising center managers recognized that additional funds to expand services needed to be generated by assessing fees for service. Legislation is pending to permit fees from educational advising to be recycled. Nonetheless, there is still a need for the Agency to establish appropriate accounting procedures for efforts to generate additional funds for USIA-sponsored advising operations.

OIG found that USIA does not tabulate the number of students who were provided information from USIA-supported centers and who actually enrolled in an American college or university. Because of this lack of data, USIA is unable to accurately measure the efficiency and effectiveness

**Implementation of Tracking
System for Foreign Students
Recommended**

of USIA efforts to promote foreign student enrollment in U.S. institutions of higher learning. Further, the lack of data hinders the Agency's compliance with the performance measurement requirements of the Government Performance and Results Act. OIG, therefore, recommended that a formal tracking system for foreign students be developed.

The Bureau of Educational and Cultural Affairs has begun to act on several recommendations in OIG's report. However, the Bureau of Educational and Cultural Affairs strongly disagreed with the recommendation that USIA reduce its involvement in educational advising. OIG's position is that in view of budget cuts it is prudent to leverage the funds that are available to USIA for maximum effectiveness. OIG recommended a partnership of U.S. Government and private industry, with USIA in a policy development and advisory role. OIG will refer the disagreement regarding the recommended reduction in USIA's educational advising role to USIA's Deputy Director for resolution.

FINANCIAL MANAGEMENT

AMERICAN EXPRESS GOVERNMENT TRAVEL PAYMENT PROGRAM

OIG conducted an audit of management controls over USIA's American Express Government Travel Payment Program. The Agency's Bureau of Management implemented the American Express program in November 1993.

The program includes individually-billed employee accounts and centrally-billed accounts. For individually-billed accounts, American Express issues employees a Government charge card, and employees pay American Express directly for their charges. By accepting the American Express cards, employees agree to use the cards only for official travel-related expenses, and to pay their accounts in full when due. Centrally-billed account holders are not issued charge cards. USIA's travel management contractor uses centrally-billed accounts to charge airline and rail transportation expenses for USIA and its grantees. American Express bills USIA monthly, and USIA pays all centrally billed charges. During 1994, charges to individually billed accounts totaled about \$3,134,088, and charges to centrally billed accounts totaled about \$12,060,000. OIG noted the following deficiencies in the management of the program:

**Monitoring Procedures
Inadequate**

- **OIG found that Government charge card abuses were generally undetected and uncorrected because of inadequate monitoring of the accounts. For example, during the nine-month period from May 1994 through January 1995, USIA employees used their American Express Government cards to charge about \$116,000 in retail purchases. Based on OIG's review of the December 1994 and January 1995 charges, OIG concluded that the majority of retail purchases were for personal purposes. In addition, as of January 1995, about \$240,000 in employee accounts were delinquent. Under the American Express program, USIA can earn refunds if accounts are paid faster and delinquencies and write-offs reduced. OIG found that the unit coordinators responsible for the American Express individually billed accounts performed some monitoring of employee accounts. However, the degree of monitoring varied widely.**

OIG recommended that USIA improve its policies and procedures for controlling and monitoring the use of American Express Government charge cards. OIG also recommended that USIA improve its policies and procedures for dealing with employees who misuse the cards, and review past American Express activity reports for evidence of abuse.

**Delinquencies Result in
Interest Penalties and
Loss of Funds**

- **As of June 1995, the total outstanding balance for the centrally billed accounts was about \$2,200,000. About \$780,500 or 35.5 percent of the \$2,200,000 was delinquent for more than 30 days. Late payments of centrally billed accounts are subject to interest penalties under the Prompt Payment Act of 1982. American Express calculated that interest penalties from November 1993 through December 1994 totaled \$19,915. In addition, the Agency can earn refunds from American Express by making faster payments. OIG recommended that USIA revise its payment procedures for centrally billed accounts to ensure payment within 30 days.**

USIA officials generally concurred with OIG's recommendations. In addition, based in part on OIG's discussions with Agency officials during the audit, USIA took several steps to improve management of the American Express Government travel payment program. For example, beginning in October

**Improvements in
Management of
Program Initiated**

1994, the comptroller placed messages on employees' earnings and leave statements to remind employees that the Government cards are to be used only for official travel related expenses. Also, in April 1995, the Agency authorized American Express to block use of the cards for retail charges above a certain amount per month for all American Express Government cardholders. Further, in May 1995, to reduce delinquencies, the Agency assigned responsibility to the Agency program coordinator for monitoring all accounts that are delinquent over 60 days. USIA also has made progress in reducing the processing time for centrally-billed accounts.

USIA's Associate Director for Management agreed with OIG's recommendation that each bureau and office in USIA review past American Express activity reports for evidence of abuse. The Associate Director disagreed, however, with OIG's suggested guidelines for disciplinary actions. He advised that he was troubled by the narrowness of the proposed guidelines and would oppose adopting them as a matter of policy. To address instances of government travel card abuse, OIG proposed the guidelines to enable USIA management to equitably and uniformly apply the general table of penalties used by USIA. Therefore, to ensure equity and uniformity, OIG continues to urge the Agency to consider the guidelines or to develop its own to address OIG's concerns.

CONTROLS OVER RECYCLING OF FUNDS - USIS RANGOON

OIG assessed controls over the recycling of funds and other administrative functions at USIS Rangoon based on concerns raised by officials from the Office of East Asian and Pacific Affairs. The area office had received information that USIS Rangoon neither properly deposited nor accounted for funds from the sale of English teaching materials and post publications.

OIG reviewed management controls over nonappropriated funds generated from the sale of English teaching materials and publications by USIS Rangoon. USIA refers to these funds as recycled funds. OIG also examined controls over petty cash funds and other USIS financial activities. The review covered the period from October 1, 1991, through January 1, 1994.

**Funds Not Properly
Deposited**

OIG found that USIS Rangoon officials failed to make timely deposits of \$147,972 in collections from English teaching materials and post publications. In addition, in violation of Agency procedures, the foreign service national administrative management specialist had used about \$37,000 of this amount for post expenses unrelated to the English teaching and publications programs.

**Inventory Controls and
Records of Funds
Collected Inadequate**

OIG also found that inventory and other controls over English teaching materials and post-produced publications were inadequate. For example, USIS delivered the materials and publications to a contractor for distribution without verifying the quantities delivered. In addition, neither USIS nor the contractor maintained adequate records of funds collected from sales of the materials and publications. Further, USIS administrative files were disorganized and poorly catalogued. Because of those deficiencies, OIG could not determine whether any recycled funds were missing.

Concurrent with OIG's review, the area director sent a USIA executive officer to Rangoon to jointly analyze the problems. Based on OIG's findings and recommendations, and those of the executive officer, the area office established the necessary control procedures. The public affairs officer and the area office assured OIG that USIS Rangoon had implemented the procedures.

OIG found that the former public affairs officer's supervision of the administrative management specialist had been lacking, particularly in light of the weaknesses in management controls. OIG recommended that the former public affairs officer receive additional training in management controls.

**Mandatory and
Recommended Training
Requirements Instituted**

USIA agreed that the former USIS Rangoon public affairs officer, as well as other public affairs officers assigned to posts with English language teaching programs, should be provided additional training in management controls. In addition, USIA has instituted a list of mandatory and recommended training requirements for regional post management assistance officers and other executive officers. The requirements include a strong emphasis on all management and financial controls, including the recycling process and procedures.

USE OF GOVERNMENT AIRFARE RATES BY USIA GRANTEES

USIA requested that OIG determine whether the costs of airline travel fares obtained by USIA grantees through USIA's Travel Management Center, were less than the costs of non-Government fares obtained commercially. OIG compared a sample of U.S. Government airfares obtained through the Travel Management Center with full-price and discounted non-Government airfares. Discounted tickets are generally nonrefundable and require purchase 7 to 14 days in advance of the trip. Based on this sample, OIG found that average Government airline fares for domestic and most international travel were significantly lower than commercial fares ordinarily available to USIA grantees. For example:

Use of Government Airfare Rates by Grantees Most Cost-Effective Method of Purchase

- Domestic non-Government full-price fares available to grantees were from 136.6 to 154.4 percent higher than average Government fares obtained through the Travel Management Center. Domestic non-Government discount fares were from 55.2 to 61.5 percent higher than Government fares.
- International non-Government full-price fares available to grantees were from 23.4 percent to 77.4 percent higher than Government fares. International non-Government discounted fares were from 7.6 percent lower to 18.9 percent higher than Government fares.

OIG found that even with the added administrative costs, use of the Travel Management Center is the more cost-effective method for purchasing grantee airline tickets. Based on these findings, OIG advised USIA that there is justification for continuing to provide grantees with access to Government fares.

NATIONAL COUNCIL FOR INTERNATIONAL VISITORS

The National Council for International Visitors (National Council) is a membership organization with a network of over 100 independent program agencies and community-based councils located throughout the United States. These agencies and councils provide a variety of services for international visitors. USIA awards grants annually to the National Council to:

- Conduct meetings and conferences for developing and extending community services to international visitors;
- Plan, develop, and conduct training programs for the community-based councils;
- Provide support grants to community-based councils.

At the request of the Bureau of Educational and Cultural Affairs, OIG reviewed the activities of the National Council to determine if it was effective in carrying out its grants. OIG also reviewed the use of funds awarded by the National Council to membership organizations to determine if the funds were used as intended and spent economically and efficiently in support of USIA's objectives.

OIG's findings were presented in separate program and financial audit reports. The following is a summary of these findings:

PROGRAM ISSUES

- USIA had not developed specific criteria to determine which community-based councils should receive the grants or to determine the size of the grants. Also, USIA had not developed a basis for assessing the benefits derived from its community-based subgrants.

USIA has given the National Council wide latitude in its authority to award grants. OIG found that some community-based councils mistrust the National Council and are suspicious of its influence over grant award decisions. For example, most grant review panel members are affiliated with specific community-based councils which received an average of 88 percent of requested funds, compared to 67 percent for other unaffiliated councils.

OIG recommended that the Bureau of Educational and Cultural Affairs develop and provide to the National Council objective criteria by which to determine grant award levels. OIG also recommended that the Bureau develop a method for distributing USIA community support grants that reduces speculation of bias in the award process.

Criteria Needed for Determining Subgrant Awards

**The National Council's
Role and Procedures
Need Reexamination**

- The current organizational framework—a network of community-based councils and a national organization as the liaison with Washington programming and funding sources—is recognized among the community-based councils and program agencies as an appropriate model. However, while most community-based councils were supportive of some of the programs and publications provided by the National Council, some of them wanted more input into the nature and content of the National Council offerings. They also wanted voting rights to elect directors of the National Council, more input to policy making, and open board meetings with uncensored minutes.

OIG recommended that the Bureau of Educational and Cultural Affairs sponsor working groups to assist in evaluating all international visitor-related programs and publications offered by the National Council. OIG also recommended that the Bureau take action to ensure that Bureau supported activities of the National Council Board of Directors are open to, and reflect the consensus of, all interested network members.

Bureau officials agreed with OIG's program recommendations. The officials stated that they expect to implement the recommendations in program guidelines to the National Council for the fiscal year 1996 grant.

FINANCIAL ISSUES

**\$239,091 in Claimed
Costs Questioned**

- OIG questioned \$239,091 of the National Council's \$5,817,685 claimed costs as being unallowable or unsupported. For example, the National Council claimed employee fringe benefit costs not supported by an existing compensation agreement, and based its indirect costs on a rate OIG found to be excessive. OIG also questioned the fact that the National Council had not offset certain program income against the claimed grants costs. OIG recommended that USIA's contracting officer require the National Council to reimburse USIA for the questioned costs and specify a method for treating program income in future grant agreements.

In addition, OIG reported several other issues regarding the National Council that warranted USIA's attention. These issues included, among others:

**Salary and Fringe-Benefit
Costs Not Equitably Allocated**

- The National Council did not equitably allocate salary and fringe-benefit costs to USIA's grant. As a result, the National Council charged unallowable or unallocable costs to the grant. For example, a National Council employee charged salary and fringe benefits to the grant while traveling in Egypt. The National Council stated that the employee conducted business meetings with USIA and USAID officials while on vacation. USIA did not approve this trip in advance, and the work performed by the employee was not included in the scope of the grant agreement.

**Travel Costs Improperly
Incurred for Reciprocal
Visit Program**

- The National Council incurred travel costs for a pilot "Reciprocal Visit Program" in which a 12-person delegation visited Germany and Hungary to gain an understanding of the international visitor program as executed by USIA abroad. The reciprocal visit program was not part of the scope of the USIA grants covering the period. In addition, OIG reviewed the supporting documentation for travel expenses and noted that \$52,469 charged to the trip was based on budgeted rather than actual expenses incurred.

**Account Classification for
Meeting Expenses of Board
of Directors Questioned**

- The National Council currently charges Board of Directors' meeting expenses as direct grant-related costs shared between USIA and USAID. This practice is in accordance with the grant agreement which classifies board costs as direct administrative costs. However, it is more equitable to treat the related costs as indirect costs. Board members do not have a direct role in performing grant-related services provided to community-based councils or program agencies. In addition, board meetings cover a variety of issues, including both grant-related and private business issues.

OIG referred the above recommendations and issues to USIA's contracting officer for resolution.

COUNCIL FOR INTERNATIONAL EXCHANGE OF SCHOLARS

**\$191,311 in Claimed
Costs Questioned**

OIG audited costs claimed under four grant agreements with the Council for International Exchange of Scholars for fiscal years 1988-1994. The grants totalled about \$32 million. The Council is the principal private agency that administers the Fulbright Senior Scholar Program for USIA. The dollar value of the program and administrative costs tested amounted to about \$700,000. OIG questioned \$191,311 in claimed costs. These costs included \$44,583 which lacked documentation in scholar files, \$29,927 claimed in excess of amounts recorded on the general ledger, and \$29,344 in other unallowable and unsupported costs. In addition, OIG found that the Council paid and claimed \$87,457 in grant expenses without authorization from the USIA contracting officer. At the exit conference, Council officials stated the practice of claiming expenses without authorization had stopped. OIG recommended that USIA's contracting officer resolve or disallow the \$191,311.

GRADUATE SCHOOL, U.S. DEPARTMENT OF AGRICULTURE

OIG audited costs claimed by the Graduate School, U.S. Department of Agriculture under 14 USIA grants covering the period October 1, 1987, through March 31, 1992. The grants totalled \$6,624,459. The Graduate School conducts international visitor programs and Fulbright teacher exchange programs for USIA.

**\$114,556 in Claimed
Costs Questioned**

OIG questioned \$114,556 in claimed costs, including \$110,884 with inadequate supporting documentation. The questioned costs included \$39,917 in unallowable and unsupported program costs and travel expenses, and \$74,639 in undocumented adjustments to the Graduate School's accounting records. OIG recommended that USIA's contracting officer resolve or disallow the \$114,556 in questioned costs.

In addition, OIG found that the Graduate School's program director approved her own expenses and that checks were made payable to the program director instead of to the vendors or participants. Of the \$39,917 questioned as unsupported, \$10,381 pertained to such expenses. OIG recommended that USIA's contracting officer require the Graduate School to make checks payable directly to vendors and participants and review and approve the program director's expenses.

AMERICAN LIBRARY ASSOCIATION

OIG audited costs claimed under cooperative agreements with the American Library Association for fiscal years 1990-1993 totalling \$913,054. The American Library Association manages the library fellow and the book fellow programs for USIA. These programs distribute U.S. library books and place specialists overseas for six months to one year to initiate library and book services projects.

**\$158,790 in Claimed
Costs Questioned**

OIG questioned \$144,217 in unallocable and unallowable costs. For example, the Library Association claimed fringe-benefit costs for scholars that were not allocable to the agreement. The Library Association also purchased \$28,217 of computer equipment. Such a purchase was strictly prohibited in the agreement.

OIG also identified \$14,573 in unsupported costs. For example, the Library Fellows Program Director did not adequately prepare timesheets and did not specify cost objectives to which hours worked were allocable.

OIG recommended that USIA's contracting officer resolve or disallow questioned costs of \$158,790.

NATIONAL ASSOCIATION FOR FOREIGN STUDENT AFFAIRS

OIG audited costs claimed under two USIA cooperative agreements with the Association totalling \$1,015,391, covering the period January 1, 1989, through December 31, 1991. USIA awarded the cooperative agreements to assist in the Association's goal to strengthen campus and community programs and services offered to foreign students and scholars attending U.S. colleges and universities and to U.S. students studying abroad.

**\$48,515 in Claimed
Costs Questioned**

OIG questioned \$48,515 in claimed costs including \$11,233 in program income not credited to the cooperative agreements, lodging costs that exceeded Federal Travel Regulation limits, and unallowable travel and entertainment costs, \$5,888 in overhead costs related to the above items, and \$31,394 as unsupported.

OIG recommended that USIA's contracting officer require the Association to reimburse USIA for the \$11,233 in ques-

tioned program costs and offset \$5,888 of questioned administrative costs with unclaimed overhead identified. OIG also recommended that the contracting officer require that the Association reimburse USIA for the \$31,394 of unsupported costs or provide documentation to support those costs.

OIG also reported four weaknesses in the Association's internal control structure such as undocumented accounting procedures and insufficient documentation to support costs incurred by its subgrantees.

NONFEDERAL AUDITS OF NONPROFIT ORGANIZATIONS RECEIVING FEDERAL AWARDS

Correction of Grantee Deficiencies and Noncompliance With Grant Provisions Recommended

Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Non-profit Organizations, establishes audit requirements for colleges, universities, and nonprofit organizations receiving Federal awards. Non-Federal auditors employed by public accounting firms conduct the audits. OIG reviews all audits involving USIA funds and is responsible for approving those audits over which USIA has cognizance. During this six-month reporting period, OIG received A-133 audit reports covering about \$96.5 million of USIA's grant expenditures. OIG conducted desk reviews on audits covering \$65.6 million. Those audits covered about \$13.6 million over which USIA has cognizance. OIG recommended that USIA's Office of Contracts resolve questioned costs and correct grantee deficiencies, including internal control weaknesses and noncompliance with grant provisions.

Agreement for Coordination of Audit Quality Signed

In January 1995, OIG signed an agreement for the coordination of audit quality among international donors in Latin American and the Caribbean. The parties to this agreement, in addition to OIG, included representatives from USAID, World Bank, Inter-American Development Bank, and United Nations International Children's Educational Fund. The donors have agreed to coordinate efforts to conduct financial and compliance audits in Latin America and the Caribbean.

OIG also participated in a conference for host government audit institutions and international donors in Latin America and the Caribbean. The conference was held in San Jose, Costa Rica in May 1994. Sixty organizations were represented at the conference, including 23 host government audit

institutions, 18 USAID field offices, 8 international donors, and 11 other organizations devoted to the development of the auditing profession. Three host government audit institutions have been approved by and have signed agreements with the international donor group. The three institutions represent Honduras, St. Lucia, and the Republic of Bolivia.

OVERSEAS POST MANAGEMENT

USIA's RELATIONSHIP WITH BINATIONAL CENTERS

Guidance on Appropriate Relationship With Binational Centers Unclear

USIA spends about \$3.2 million annually for 126 binational centers that are locally chartered, nonprofit cultural organizations. Binational centers have binational boards of directors and sustain themselves through tuition charges for teaching English. The centers provide valuable assistance to USIS posts in conducting a variety of cultural and English language programs. OIG found that USIA had not provided clear guidance to its field posts on the appropriate relationship between USIA and these centers. Consequently, both the relationship and the level of support varies from one post to another.

OIG recommended that the Director of USIA develop a policy statement to define the relationship between the Agency and its field posts and binational centers. The Director concurred with the recommendation and stated that the Bureau of Information and other relevant Agency elements will work together to develop the recommended policy statement. OIG also recommended clear definitions of the duties of the recently established position of center support officer. These duties should be consistent with the binational center policy statement to be developed by the Director. The Agency concurred with this recommendation.

Grants to Binational Centers Poorly Managed

OIG also found evidence of poorly managed grants to binational centers, including a lack of accountability and the possible abuse of funds by center personnel. Latin America and Western Europe have the largest number of binational centers. OIG recommended that the area directors for those regions require that public affairs officers review all grants made to binational centers in fiscal years 1994 and 1995. The public affairs officers should take any action necessary to ensure compliance with Agency and Federal regulations on

grant administration. The Agency concurred with this recommendation. The possible abuse of funds was referred to OIG's investigative unit for further inquiry.

***Uniform Standards for
English Teaching
Program Recommended***

OIG found that the standards for English teaching varied widely from one binational center to another. Accordingly, OIG recommended that USIA provide more support to English teaching efforts of binational centers, such as: (1) developing criteria to certify binational center language programs, including minimum qualifications for teachers, (2) instituting a standardized English test, and (3) advising posts on marketing and promoting English language programs. OIG also found that some centers maximize revenue by seeking an increased share of the English teaching market. As a result, students in their pre- and early teens constituted the majority of binational center enrollees. OIG recommended that USIA develop a preferred audience profile to better assist posts in determining USIA support levels. The Agency concurred with OIG's recommendations.

USIA OPERATIONS IN MEXICO

***Realignment of Program
Resources Recommended***

OIG found in its inspection of USIS Mexico that the post was dealing effectively with issues defining the strategically important relationship between the United States and Mexico. However, OIG concluded that resources should be realigned to enhance the post's capacity to cover the American-Mexican border issues. Further, there were serious morale problems among the foreign service nationals employed by the post relating primarily to lack of training, poor working conditions, and apprehension about the instability of their incomes. USIA will need to coordinate its efforts with the State Department to resolve some of the problems, such as the effect of inflation on salaries.

***Pro-Active Plan for
Information Section Needed***

OIG found the information section lacked a pro-active plan since emphasis was almost exclusively on speechwriting for the Ambassador. Such emphasis was to the detriment of other necessary information activities, such as information coordination between Mexico City and the branch posts, and greater support for Voice of America activities. OIG concluded that long-term and short-term goals for USIS Mexico's information section need to be established and tied to specific fiscal year 1995 Country Plan issues. The Country Plan issues are: promotion of a free and responsible Mexican press;

**Library Resources
Need Reevaluation**

promotion of investigative journalism; protection of intellectual property; trends in U.S. Government information policy, and the quickly changing bilateral environment of information and telecommunications.

OIG found the library resources needed reevaluation to be used more efficiently. OIG made recommendations regarding the recycling of funds for use at a later date, services to be provided, personnel needs, and the cost of maintaining different types of collections. Additionally, OIG recommended that the post consolidate the USIS and Foreign Commercial Service library collections to streamline commercial reference services.

**Abolishment of Four Positions
Recommended for Savings of
\$159,000**

OIG found that four positions were not needed and recommended their abolishment for an annual savings of approximately \$159,000. In addition, OIG recommended that over \$86,500 in unspent funds be recovered from a USIA grantee.

The Agency agreed with all but one of OIG's recommendations. The unresolved issue relates to a recommendation for a pro-active plan for the information section. OIG will forward this matter to USIA's Deputy Director for resolution.

USIA OPERATIONS IN GREECE

**Expansion and Revision
of Program Priorities
Recommended**

OIG recommended that USIS Greece expand and revise some of its priorities. For example, one of the post's priorities is to reaffirm U.S. commitment to global economic growth through fair trade. This priority can be strengthened by broadening the post's programming in support of U.S. economic security. In addition, because there is a large number of Greek and American private organizations that promote American artistic presentations in Greece, USIA should be able to reduce its own artistic programming activities. Artistic programming funds could then be used to enhance programming to support trade and economic growth.

**Difficult Operating
Conditions Recognized**

OIG recognized that the post had been operating under difficult conditions. Security concerns arising from terrorist activities required USIS Greece to move into cramped, inadequate quarters within the Chancery in 1992. Morale and programming efficiency suffered due to the lack of space. Despite these obstacles, the post had performed efficiently and gained the confidence of the Ambassador. A relocation to larger

quarters was being planned since the security concerns have eased. The move is expected to improve post operations and morale.

**Morale of Foreign Service
National Staff Low**

The morale of the foreign service national staff was low due to concern about job security, poor working conditions, and perceived salary inadequacies. There was also inadequate communication within USIS Greece. USIS-related information was not routinely shared with the American officers or the foreign service national staff members.

**Abolishment of American
Foreign Service Secretary
Position Recommended**

OIG recommended that the post enhance its programming in schools of journalism and reactivate Worldnet programs and video conferencing. In addition, OIG recommended changing the composition of the international visitor program. A more even distribution of educational, cultural, and political candidates was recommended to avoid the current high cancellation rate of political candidates. Further, since the American foreign service secretary was underutilized, OIG recommended abolishing the position for a savings of approximately \$80,000 per year.

The Agency agreed with OIG's recommendations.



**Twenty-Nine Investigative
Reports Pending Possible
Prosecutorial or Administra-
tive Action**

During the period, OIG initiated 30 investigations and closed 39. Seventy-one remained open at the conclusion of the reporting period. Of the 71 that remained open, 42 were pending further investigative activity. Investigations had been completed on the remaining 29. Of that number, OIG had referred 9 to the Department of Justice for review and 20 to the Agency's personnel offices for administrative or disciplinary action. (See Appendix B.)

FOLLOW-UP ACTIONS

FINANCIAL MANAGEMENT

Previous Report:

***System Software Inefficient
and Inadequately Docu-
mented***

OIG's review of USIA's financial management system software disclosed that it was inefficient and inadequately documented....Also, system reliability could not be adequately assured. (Semiannual Report, March 31, 1995, page 2.)

Action:

The Bureau of Management is reviewing all aspects of the current financial management system. They are documenting system functions and intend to review back-up/recovery procedures. In addition, the Bureau will assign a USIA computer specialist to participate in overseeing the current financial management system software maintenance contract.

GRANTS MANAGEMENT

Previous Report:

***Progress Made in Correcting
Deficiencies but Improve-
ments Still Needed***

USIA had made significant progress in improving grants management following a 1990 OIG report and had completed action on 17 of 25 prior OIG recommendations. However, USIA still needed to improve timeliness of grant awards, grant documentation, and fund reconciliation....In addition, OIG found that the Bureau of Educational and Cultural Affairs had not fully developed and implemented its automated grants management system. (Semiannual Report, March 31, 1995, page 1.)

Action:

The Bureau has taken several actions in response to the OIG report. For example, the Bureau established a document checklist to improve grant documentation, and procedures for reconciling Bureau grant funds with the official USIA accounting records. Improvements to the grants tracking log and overall grants management system are still in progress.

Previous Report:

In March 1994, OIG recommended against using grants for representational activities. In one case, OIG recommended the recovery of \$537 for such use of a grant. (Semiannual Report, September 30, 1994, page 17.)

**Repayment for Improper Use
of Grant Funds Not Yet Made**

Action:

USIA management advised that action had been initiated to recover the \$537 from the USIA officer who improperly used the grant funds. The officer was notified of his obligation to pay on April 21, 1995. The Office of Comptroller was also notified of the need to request payment from the officer. To date, the \$537 has not been repaid.

OVERSEAS POST MANAGEMENT

Previous Report:

During an inspection of USIS Chile, OIG recommended the elimination of the position of assistant information officer which was redundant as a result of changes that have taken place in Chile in recent years. Further, the position was vacant during the inspection, and the post staff was already operating at one of the highest levels of efficiency that OIG has observed in the post inspection process. The area director disagreed with the recommendation. He asserted that the position had assumed greater importance since OIG's on-site inspection due to the possibility of Chile becoming a member nation to the North American Free Trade Agreement. In view of that contingency, or if the new Information Bureau policies excessively burden the information officer, OIG modified its recommendation to allow for reinstatement of the position. (Semiannual Report, March 31, 1995, page 15.)

Position Abolished

Action:

OIG has been advised that the Area Office has abolished the position because of budget cuts.

APPENDIX A

REPORTS ISSUED

<u>Number/ Issue Date</u>	<u>Title</u>	<u>Questioned Costs</u>		<u>Funds Put to Better Use</u>
		<u>Total</u>	<u>Unsupported</u>	
<u>AUDIT REPORTS</u>				
<u>Grant Audits</u>				
ARR-95-10 04/25/95	The National Council for International Visitors	\$239,091	\$771	
ARR-95-09 04/27/95	Costs Claimed under USIA Cooperative Agreement with the George Meany Center for Labor Studies	23,331	7,215	
ARR-95-11 08/18/95	Costs Claimed under USIA Grant Agreements with the Council for International Exchange of Scholars	191,311	165,118	
ARR-95-15 08/18/95	Costs Claimed under USIA Cooperative Agreements with the American Library Association	158,790	14,573	
ARR-95-16 09/29/95	Costs Claimed under USIA Cooperative Agreements with the National Association for Foreign Student Affairs	48,515	31,394	
ARR-95-18 09/29/95	USDA Graduate School	114,556	110,884	
ALR-95-10 09/12/95	Costs Claimed under USIA Cooperative Agreements with the Council of International Programs			

Continued on next page

...Appendix A - Continued

<u>Number/ Issue Date</u>	<u>Title</u>	<u>Questioned Costs</u>		<u>Funds Put to Better Use</u>
		<u>Total</u>	<u>Unsupported</u>	
<u>Internal and Management Audits</u>				
ARR-95-12 06/16/95	Management Controls Over USIS Direct English Teaching Programs in Senegal, Cameroon, and Madagascar			\$54,000
ARR-95-13 07/25/95	Government and Non- Government Airfares Available to USIA Program Agencies			
ARR-95-14 07/31/95	The National Council for International Visitors			
ARR-95-17 09/29/95	Management Controls Over the American Express Government Travel Payment Program			37,915
ALR-95-08 05/31/95	Subsequent Events Impacting USIS Sanaa Direct English Teaching Program			
ALR-94-04 09/29/95	Sao Tome, Sri Lanka, and Bethany Relay Stations			
<u>Financial Oversight Reviews</u>				
ALR-95-11 09/28/95	Center for International Private Enterprise, Inc.	143,843		
ALR-95-12 09/28/95	International Republican Institute			
ALR-95-13 09/28/95	Free Trade Union Institute			
ALR-95-14 09/28/95	National Democratic Institute for International Affairs			

Continued on next page

...Appendix A - Continued

<u>Number/ Issue Date</u>	<u>Title</u>	<u>Questioned Costs Total</u>	<u>Unsupported</u>	<u>Funds Put to Better Use</u>
<u>INSPECTION REPORTS</u>				
SRR-95-10 05/10/95	USIS Greece	\$2,964		\$80,000
SRR-95-11 06/23/95	USIA Relations with Binational Centers			
SRR-95-12 06/23/95	Alternatives for Conducting Programs Overseas			
SRR-95-13 07/20/95	USIS Mexico	86,584		159,000
SRR-95-14 09/29/95	USIA Educational Advising Program			
	TOTALS:	\$1,045,985	\$329,955	\$330,915

APPENDIX B

INVESTIGATIONS ACTIVITIES

Investigations

Pending Beginning of Period	80
Opened During Period	30
Closed During Period - All Actions Complete	39
Pending End of Period	71
Pending Further Investigation	42
Pending Prosecutorial or Administrative Action	29

Hotline Calls

Number Received	6
Investigations Initiated	4
Referred to Agency Management	0
Closed - No Action Taken	2

Investigative Results

Disciplinary Actions Taken	1
Corrective Actions Taken	0
Recoveries and Restitutions	0
Pending Department of Justice	
Prosecutorial Review	9
Pending USIA Administrative or	
Disciplinary Action	20

APPENDIX C

REPORTS WITH QUESTIONED COSTS

		<u>Dollar Value of Questioned Costs (in thousands)</u>		
	<u>Number of Reports</u>	<u>Total Costs</u>	<u>Unsupported Costs*</u>	
I	Reports subject to a decision by management:			
a.	During prior reporting periods	15	\$5,154	\$3,457
b.	During current reporting period	<u>10</u>	<u>1,046</u>	<u>330</u>
	Total	25	\$6,200	\$3,787
II	Reports for which decisions were made during this period:			
a.	Dollar value of disallowed costs	7	\$396	\$ 1
b.	Dollar value of costs not disallowed	<u>3 **</u>	<u>522</u>	<u>486</u>
	Total	10	\$918	\$487
III	Reports for which no decisions were made by the end of the reporting period:			
		16 ***	\$5,282	\$3,300
IV	Reports for which no decisions were made within six months of issuance:			
		9	\$4,362	\$2,970

* Amounts are also included in Total Costs.

** The number of reports excludes two reports which contained both disallowed costs and costs not disallowed.

*** Includes a report for which one decision was made, but another decision remains outstanding.

APPENDIX D

REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	<u>Number of Reports</u>	<u>Dollar Value (in thousands)</u>
I Reports subject to a decision by management:		
a. Issued during prior reporting periods	0	0
b. Issued during current reporting period	<u>4</u>	<u>\$331</u>
Total	4	\$331
II Reports for which decisions were made during this period:		
a. Recommendations with which management agreed	4	\$331
b. Recommendations with which management did not agree	<u>0</u>	<u>0</u>
Total	4	\$331
III Reports for which no decisions were made by the end of the reporting period:	0	0
IV Reports for which no management decision was made within six months of issuance:	0	0

APPENDIX E

**REPORTS FOR WHICH NO MANAGEMENT DECISIONS
HAVE BEEN MADE WITHIN SIX MONTHS OF ISSUANCE****AMERICAN COUNCIL OF LEARNED SOCIETIES**

An OIG report on the Council and its two affiliates, issued September 28, 1990, identified questioned costs, accounting system deficiencies, and excess draw downs of grant funds. USIA's Office of Contracts resolved the accounting system recommendations and the excess draw downs of grant funds. However, the Office of Contracts deferred action on \$44,957 pending further information from OIG. OIG provided the information to the Office of Contracts in April 1995, and the Office of Contracts expects to issue its decision during the next reporting period. (Report No. A-90-29)

INTERNATIONAL DEVELOPMENT EXCHANGE

In a report on the Exchange, issued November 4, 1992, OIG made recommendations on questioned costs of \$59,498. OIG also conducted an investigation. The Office of Contracts deferred a decision on questioned costs pending final action on the investigation. (Report No. A-92-24)

NORTH/SOUTH CENTER

In a report on the Center, issued March 25, 1994, OIG recommended that USIA seek reimbursement of \$1,507,261 in questioned costs. Approximately \$1 million of the questioned costs resulted from an inequitable allocation of indirect costs to the Center. The Department of Health and Human Services, which has audit cognizance, established new indirect cost rates. However, USIA's Office of Contracts deferred action on about \$480,000 in remaining questioned costs pending further consultation with the Bureau of Educational and Cultural Affairs. The Office of Contracts is awaiting additional information from the Bureau of Educational and Cultural Affairs and expects to issue its decision during the next reporting period. (Report No. ARR-94-03)

DELPHI INTERNATIONAL GROUP

In a report on Delphi, issued March 11, 1994, OIG questioned grant costs totaling \$202,188 including sabbatical leave for Delphi's chairman, and excessive grant fund draw downs. USIA's Office of Contracts deferred action on this matter until there is a final resolution of OIG's investigation. (Report No. ALR-94-03)

In addition, in a report on Delphi, issued December 3, 1992, OIG questioned grant costs totalling \$253,772 including about \$150,600 improperly used to support Delphi's private affiliates in violation of its grant agreement with USIA. USIA's Office of Contracts deferred action on this matter until there is a final resolution of OIG's investigation. (Report No. A-92-23)

AMERICAN FIELD SERVICE INTERCULTURAL PROGRAMS

In a report on the Service issued March 14, 1994, OIG questioned \$236,600, \$177,000 of which were unsupported administrative costs. OIG recommended that the Service establish an appropriate indirect cost rate for all future grants. USIA's Office of Contracts established an indirect cost rate which allowed the \$177,000 in unsupported administrative costs. However, USIA's Office of Contracts deferred a decision on \$59,600 pending further information from OIG. The information was provided in September 1995. The Office of Contracts expects to issue its decision during the next reporting period. (Report No. ARR-94-05)

FESTIVAL OPERATING COMPANY

In a report on the Operating Company issued December 5, 1994, OIG questioned \$881,905, including \$326,954 in unauthorized or unallowable costs. USIA's Office of Contracts is continuing its analysis and expects to issue its decision during the next reporting period. (Report No. ARR-95-01)

AMERICAN-MIDEAST EDUCATIONAL AND TRAINING SERVICES

In a report on American-Mideast Educational and Training Services issued December 5, 1994, OIG questioned \$72,394, including \$27,331 in unsupported costs. USIA's Office of Contracts is continuing its analysis and expects to issue its decision during the next reporting period. (Report No. ARR-95-02)

GREATER BUFFALO ATHLETIC CORPORATION

In a report on the Corporation issued March 14, 1995, OIG questioned \$2,306,884 in administrative costs. USIA's Office of Contracts deferred a decision on the questioned costs until OIG could review the corporation's response to the OIG report. OIG provided its review to the Office of Contracts on September 8, 1995. The Office of Contracts analyzed the OIG review and expects to make a decision on the questioned costs during the next reporting period. (Report No. ARR-95-03)

APPENDIX F

DEBTS OWED TO USIA

The Senate Committee on Appropriations Report on the Supplemental Appropriations and Rescission Bill of 1980 requires agencies to report on debts owed. The following chart shows preliminary, unaudited figures provided by USIA on appropriation-funded debts that were owed, overdue, or resolved during the six-month period that ended September 30, 1995.

	<u>Balance</u>	<u>Overdue</u>	<u>Resolved During Period</u>
March 31, 1995	\$704,778	\$394,447	\$290,783
September 30, 1995	\$683,637(1)	\$362,801(2)	\$196,155(3)

(1) Includes new debts accrued (during six-month reporting period) of \$175,014.

(2) Overdue accounts include two bankruptcy cases:

- a. \$77,904
- b. \$ 2,271

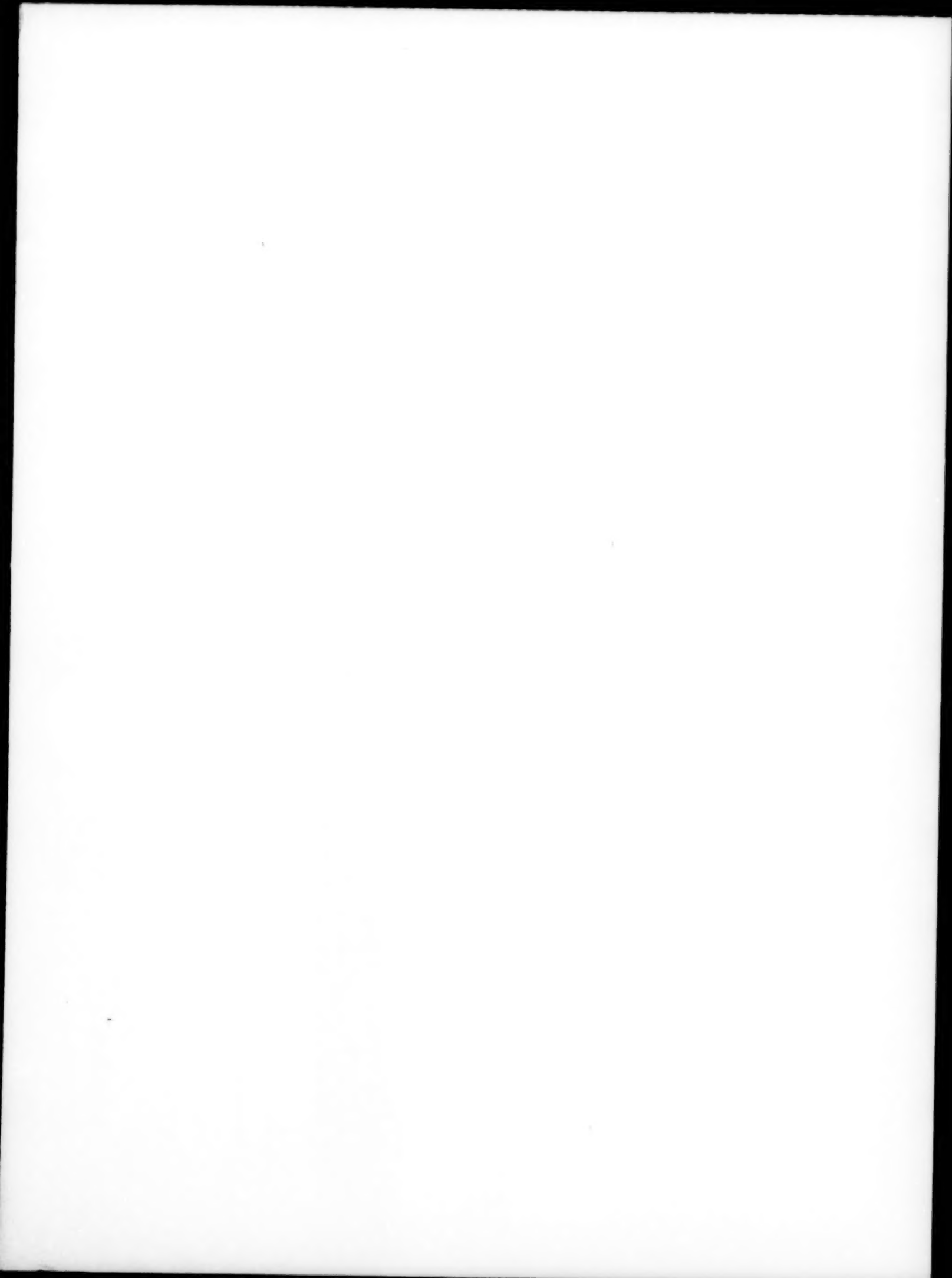
(3) Includes cash refunds, compromises, waivers, and write-offs.

APPENDIX G

INDEX OF INSPECTOR GENERAL ACT REPORTING REQUIREMENTS CROSS-REFERENCED TO THIS SEMIANNUAL REPORT

The following information, as requested by OMB memorandum dated October 26, 1992, sets forth OIG's compliance with Section 5 of the Inspector General Act of 1978, as amended:

Section	Activities	Location in Report
5 (a)(1)	Significant problems, abuses, and deficiencies this period	Digest (Pages 1-6)
5 (a)(2)	Recommendations for corrective action regarding the above	Operational Activities (Pages 7-26)
5 (a)(3)	Significant recommendations in previous reports not completed	Follow-Up Actions (Pages 27 and 28)
5 (a)(4)	Matters referred to prosecutive authorities	Investigations (Page 26)
5 (a)(5)	Reports made to Agency head under section 6(b)(2)	None
5 (a)(6)	Listing of audit reports with cost data	Appendix A (Pages 29-31)
5 (a)(7)	Summary of each significant report	Operational Activities (Pages 7-26)
5 (a)(8) (A),(B), (C),(D)	Statistical tables showing management decisions on questioned costs	Appendix C (Page 33)
5 (a)(9) (A),(B), (C),(D)	Statistical tables showing management decisions on recommendations that funds be put to better use	Appendix D (Page 34)
5 (a)(10)	Summary of audit reports for which no management decisions have been made within six months of issuance	Appendix E (Pages 35-36)
5 (a)(11)	Significant revised management decisions	None
5 (a)(12)	Significant management decisions with which the Inspector General disagrees	None



END

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